UNITED NATIONS

A

General Assembly

Distr.
GENERAL

A/C.5/47/11
2 October 1992

ORIGINAL: ENGLISH

Forty-seventh session
FIFTH COMMITTEE
Agenda item 104

PROGRAMME BUDGET FOR THE BIENNIUM 1992-1993

Construction of additional conference facilities at Addis Ababa and Bangkok

Report of the Secretary-General

INTRODUCTION

1. At its thirty-ninth session, the General Assembly, by its resolution 39/236 of 18 December 1984, approved the construction of additional conference facilities at the Economic Commission for Africa (ECA) at Addis Ababa and a construction project for the expansion of conference facilities at the Economic and Social Commission for Asia and the Pacific (ESCAP) at Bangkok.

2. Following the suspension of the construction projects by decision of the Assembly at the resumed fortieth session of the Assembly in April 1986, work resumed in 1988, pursuant to General Assembly resolutions 41/213 of 19 December 1986 and 42/211 of 2 December 1987, which mandated the Secretary-General to proceed on both already approved projects on the basis of the scope of facilities as originally approved in sections III and XI of resolution 39/236.

3. In accordance with resolution 39/236, annual progress reports have been submitted on both construction projects. The present report reviews the progress on the projects at Addis Ababa and Bangkok since the submission of the report at the forty-sixth session (A/C.5/46/22).

I. EXPANSION OF THE CONFERENCE FACILITIES OF THE ECONOMIC COMMISSION FOR AFRICA AT ADDIS ABABA

A. Status and development of the project

4. Pursuant to General Assembly resolution 42/211, the project at Addis Ababa was resumed during 1988 and proceeded on the basis of the scope of facilities originally approved and as subsequently reflected in the design developed by the winning architect/engineer firm selected during 1986, namely, one large plenary hall, one medium-size conference room in addition to the existing Africa Hall, and four small conference rooms.

5. Results of the international tendering during 1990 were included in the report of the Secretary-General to the General Assembly at its forty-fifth session (A/C.5/45/53). In that report it was indicated that, based on the exchange rate of 1.37 United States dollars to the European Currency Unit (ECU) as of 1 November 1990 and the inflation rate assumptions outlined in the report, the total cost of the construction project was estimated at 78,523,400 ECU, or $107,576,900 including administrative costs and contingency. It was further indicated that the main construction contract was scheduled to be completed in the first quarter of 1994, followed by final testing, furnishing and commissioning of the building in the second quarter of 1994. The General Assembly, in section X of resolution 45/248 A of 21 December 1990, took note of the report of the Secretary-General and requested him to proceed with the project in accordance with the revised timetable. The construction contract was signed on 22 February 1991. As was reported at the forty-sixth session of the General Assembly, the 36-month construction period commenced on 29 April 1991.

6. The general status and development of the project and relevant aspects of the situation in Ethiopia through September 1991 were outlined in paragraphs 5 to 10 of the Secretary-General's report at the forty-sixth session of the General Assembly. The principal developments since that time are as follows:

(a) The situation whereby only one shipping line has been accepting commercial shipments from Italy to Assab continued to prevail. The contractor reports that arrangements for advance bookings to ensure the regular flow of materials have been only partially successful.

(b) Commercial transport from Assab to Addis Ababa has more or less stabilized, although this route is open only to escorted convoys. The contractor, therefore, continues to rely on commercial firms to transport the bulk of materials coming through Assab when the quantities of shipment exceed the capacity of his own fleet consisting of five trucks. Although it is sometimes possible for the contractor's trucks to be available at dockside for direct loading, the balance of the shipment must be stored until commercial transport is available or until the contractor's own trucks make the round trip between Addis Ababa and Assab as part of an escorted convoy.

(c) Transport by truck from Djibouti does not appear to be a viable option at this time. Furthermore, rail transport from Djibouti to Addis Ababa continues to be unreliable owing to intermittent closure of the railroad.

(d) During the past months, the supply of cement has been generally satisfactory thereby enabling the contractor to accumulate a small stockpile in his storage facility. It was reported, however, that concrete aggregate was no longer available at the original gravel pit and new sources had to be located. Likewise, it was necessary to obtain new sources for sand farther away from Addis Ababa.

(e) The quarry for the Ethiopian Wollega marble specified for the conference facilities was severely damaged during the past two years and the equipment for extracting, cutting and finishing the marble was destroyed. Other sources are now being reviewed.

(f) Despite a relaxation of the official curfew (currently 1 a.m. to 5 a.m.), the envisaged work schedule of two shifts per day has not yet taken effect.

(g) The request for proposals for the new digital telephone system and related cabling was reissued in March 1992. Specifications were for a modern telephone exchange compatible with those in United Nations facilities in New York, Geneva, Nairobi and Bangkok and for a telephone wiring plant capable of supporting the integrated voice and data requirements of ECA for the next 7 to 10 years. Proposals were received in May 1992, and are now being reviewed at Headquarters.

Progress of construction

7. Since the preparation of the last report, the pace of work has improved substantially. Considerable tonnages of materials and construction equipment have been transported to Addis Ababa during the last 12 months. As of 1 September 1992, the piling work had been completed; pile caps and grade beams were 85 per cent complete; and in the west quadrant the superstructure was completed to the roof level and block work and services installations were under way on the lower floors. Although work had been delayed at the north quadrant owing to difficult excavations, the structure has been completed to the first floor level and approximately 50 per cent of the second floor has been cast. In the east quadrant approximately 90 per cent of the ground floor slab and 50 per cent of the first floor slab have been completed. In the south quadrant, the few remaining pile caps and grade beams are being completed but work has been impeded by the rains. Foundations and retaining walls of the north car park and water reservoir have been completed and the superstructure is about 90 per cent complete. Production of precast concrete exterior panels at the contractor's factory in Addis Ababa commenced in July 1992 and some 180 panels have been cast as of 1 September, of which about 70 had received final finishing. A trial installation of completed panels was undertaken in early September in the west sector.

8. In the first half of 1992, work was concentrated on the superstructure in the west quadrant. Plans were subsequently made to increase the production rate by working simultaneously in more than one quadrant. This involves an increase in the workforce from the previous level of approximately 500 to 800-1000, the importation of additional formwork and other construction equipment, increased flow of local and imported materials and the deployment of additional supervisory staff. It had been projected by the contractor that this revised work programme would be in full effect by the end of May; however, shipping problems and late mobilization of the services subcontractor have prevented more than marginal increases in production through August. Due to organizational and coordination problems of the contractor, monthly production is only about one third of planned rates.

9. The construction project was only 13 per cent complete as of 1 September 1992, representing a delay of approximately six to seven months, inclusive of the force majeure period, when compared to the contractor's original timetable. In the revised construction work programme submitted by the contractor in February, the completion of the main construction was projected for 24 June 1994 instead of the contract completion date of 28 April 1994, i.e. the contractor assumed a force majeure extension of the contractual construction period by 57 days. This revised programme was approved in principle without prejudice to the amount of the force majeure extension which may eventually be agreed to by the United Nations. However, as the project was already several months behind the revised work programme at 31 May 1992, the contractor has been requested to undertake another major revision in order to provide a realistic basis for planning and monitoring progress. The contractor has also been advised that considerable improvement in production, organization and coordination would be required to meet interim performance targets and the scheduled completion timetable.

10. It will be recalled that the construction contract provides for an extension equal to any force majeure period, plus whatever additional period is required for normal operations to resume under specific circumstances, as well as compensation for expenses of permanent staff and equipment idled during the force majeure period. The contractor submitted a claim on 28 April 1992 for 7,680 ECU per day for such expenses, which would amount to 437,760 ECU for 57 days (approximately $600,000 at current rates). This compensation claim is currently being reviewed. On the question of the extension of time for completion, it should be noted that the contractor on the United Nations project, who is also undertaking a large government housing project in Addis Ababa, has been granted a force majeure extension of three months plus an additional month for special circumstances. Discussions are currently in progress with the contractor with a view to reaching a comprehensive agreement on force majeure compensation, extension of time for completion of construction, and related issues.

B. Project timetable

11. Previous project timetables and the cost estimates which have been based on them have assumed the timely resolution of various factors concerning transportation and availability of materials and labour. As reported last year, the situation in respect of these matters deteriorated markedly during 1991. The contractor reports that there has been little improvement in the situation in the past 12 months. Various measures have been required to compensate for these problems, such as allowing additional time for shipping, arranging for increased stockpiling of materials on site, and occasionally air freight.

12. As of 1 August 1992 the contractor was six months behind his original timetable for completion, and the architects anticipated further delays due to late fabrication and delivery of key elements. In mid-September the contractor submitted a revised timetable showing completion of construction in December 1994, i.e. a delay of some eight months, including the force majeure period. On this basis the revised project timetable would be as follows:

29 April 1991	Commencement of construction
May-July 1991	Force majeure suspension
July 1991	Construction activity resumes
1992-1994	Construction continues
December 1994	Completion of main construction
First half 1995	Final testing, furnishing and commissioning of the building
1995-1996	Guarantee period and final payment to contractor and consultants

C. Financial aspects

13. An early return to normal transportation conditions or successful measures to compensate for present difficulties could permit the contractor to increase his activities during the following two years so as to meet anticipated disbursement levels by the end of 1993. In the meantime, it can be reported that the total project cost will be affected by the following factors:

(a) A delay in the pattern of payments or a skewing of payments to later years will increase the effect of inflation on payments to the contractor under the cost adjustment mechanism;

(b) The force majeure situation and related factors such as increased expenses for administration and site supervision during the extended construction period will give rise to additional costs;

(c) On the basis of experience to date, a much larger site supervision team has been deployed for the project than originally expected;

(d) The alternative piling design proposed by the contractor was accepted following testing and evaluation, resulting in a saving of approximately 900,000 ECU (approximately $1.2 million at current rates) for that portion of the work;

(e) Experience to date with the price indices comprising the cost adjustment mechanism indicates that inflation rates for the period September 1990 to April 1992 are somewhat less than anticipated.

14. Although there are no grounds at this time to anticipate that the net result of the various factors affecting the total project cost would cause a major increase over the 1990 estimate of $107,576,900, such an increase cannot be ruled out. Nevertheless, on the basis of current information, it is expected that the effect of these factors can be absorbed within the present project budget and there is no need to revise the total estimated project cost.

II. EXPANSION OF THE CONFERENCE FACILITIES OF THE ECONOMIC AND SOCIAL COMMISSION FOR ASIA AND THE PACIFIC AT BANGKOK

A. Status and development of the project

15. The project at Bangkok was resumed in 1988 pursuant to the terms of General Assembly resolution 42/211 on the basis of the scope of facilities originally approved and as reflected in the previously completed plans and specifications. Construction began in May 1989 and, is now expected to be completed in November-December 1992, followed by commissioning in January-March 1993. The various factors affecting the progress of the construction and the delay in completion were detailed in paragraphs 14 to 16 of the Secretary-General's report to the General Assembly at its forty-sixth session (A/C.5/46/22).

16. As reported at the forty-sixth session of the General Assembly, the revised project cost of the construction project at Bangkok was estimated at $48,540,000, namely $4,362,300 over the amount of $44,177,700 approved in principle by the General Assembly in its resolution 39/236. On the other hand, it was estimated that by 31 March 1992, the interest on the appropriations for the Bangkok project would have totalled over $4.5 million. It was, therefore, proposed to apply up to $4,362,300 of the interest income from the construction-in-progress account to offset the cost increase in the Bangkok project. Factors contributing to the increase were detailed in paragraphs 20 and 21 of the report of the Secretary-General. It was also

reported that although the construction contract provided that damages would be levied against the contractor for failure to complete on time, on 26 September 1991, the contractor submitted a counter-claim greatly in excess of those damages, claiming compensation for additional costs incurred as a result of delays that were beyond his control.

17. During the review of the report of the Secretary-General by the Advisory Committee on Administrative and Budgetary Questions and based on additional information provided by the Secretariat, the Committee questioned why the increased costs related to site supervision and administrative and consultant work should be borne in its entirety by the United Nations, particularly that portion of those costs related to the projected delay in completion. It further noted that since the construction contract provided that damages would be levied against the contractor for failure to complete on time, it seemed that such damages ought to include the additional costs related to extending the site supervision team for one year. Whilst recognizing the complexities of the matter, including the fact that the prevailing situation in Bangkok may have hampered the contractor, the Advisory Committee was nevertheless of the view that the United Nations should maintain a firm position in the matter, especially with regard to the increased administrative and site supervision costs resulting from the delay in project completion. Consequently, it did not concur at that stage with the use of the interest income to provide for the $535,000 of additional administrative, consultant and site supervision costs referred to in paragraphs 21 (a) and (b) of the report of the Secretary-General. Rather, it requested that it be kept apprised of developments regarding the settlement of the claim submitted by the contractor and of the United Nations own claim for damages under the terms of the contract. It, therefore, recommended that it be authorized by the General Assembly to decide, at the appropriate time, and on the basis of additional information, whether interest income can be used to finance some or all of the additional cost of $535,000 related to these items. The General Assembly, in resolution 46/185 A, inter alia, concurred with the recommendations and requests made by the Advisory Committee.

18. Following the close of the forty-sixth session of the General Assembly in December last year, a high-level team from Headquarters was dispatched to Bangkok to review various aspects of the administration of the construction project, such as arrangements for site supervision, the cost management of the project, liquidated damages for delay and the contractor's counter-claim for 124,777,000 baht (or approximately $4.9 million) as compensation for delays that were alleged to be beyond his control.

19. Although the construction contract provides that damages would be levied on the contractor for failure to complete on time, the contract also stipulates under "Other changes and conditions" that the contractor is required to notify the United Nations of any changes of conditions or occurrence of any event which interferes or threatens to interfere with his performance of the contract, whereupon the United Nations shall take such action as in its sole discretion is considered to be appropriate or necessary in the circumstances. Thus, although compensation is not provided or even

implied in the contract, it is also not expressly excluded as an "appropriate action". Furthermore, the "General conditions" provide that if the contractor is given extra or additional work or if constraining circumstances occurred beyond the contractor's control, the contractor shall be entitled to an extension of time for completion of the work.

20. On the basis of these clauses in the construction contract, the contractor's counter-claim included a request for an extension of time for completion on account of the various factors which have interfered with his performance of the contract, such as shortages of labour, supervisors, cement, steel and other materials. As reported to the General Assembly during the last three years, these factors have impeded the progress of the construction in Bangkok. Moreover, since the Government has allowed contractors on government projects extensions of 6 to 12 months owing to the construction boom in Thailand and the resulting shortages, it can also be argued that the United Nations should also accord the same extension for its project. Furthermore, owing to design modifications and other changes outlined in paragraph 20 of the report at the forty-sixth session of the General Assembly, the architects estimated an entitlement to an extension of approximately four months to the contractor.

21. Since the United Nations claim for damages for approximately 360 days' delay would have been enforceable only to a very limited extent and owing to the preference for a constructive settlement of the claim and counter-claim instead of any arbitration decision, a comprehensive agreement was reached between the contractor and the United Nations regarding these claims. The principal features of that agreement are as follows:

(a) The United Nations agreed to the following:

- To establish 24 October 1992 as the revised date for substantial completion of the construction contract;

- To establish financial incentives for the contractor to meet interim performance milestones;

- To take measures to facilitate resolution of outstanding design and coordination issues, including the provision of inspectors outside normal hours to expedite the work;

- To remit monthly progress payments within 45 days of submission of contractor's monthly request for payment.

(b) The contractor agreed to the following:

- To withdraw all previous claims, including the claim for 124,777,000 baht (or approximately $4.9 million) and to waive further claims for compensation for previous delays beyond his control;

- To a 25-fold increase in the level of daily liquidated damages from 20,000 baht to 500,000 baht (approximately $19,800) per day, for failure to complete by the revised completion date.

22. The comprehensive agreement was considered to be the best course to follow regarding the settlement of claims. Aside from the financial savings to the Organization, the settlement provided both positive and punitive incentives for regular progress and for the timely completion of the construction project. It also provided the contractor with enhanced cash flow and improved coordination procedures to facilitate the orderly execution of his work and that of the subcontractors.

23. In view of the settlement in the comprehensive agreement, although the United Nations would not be liable for the contractor's additional cost for the delays, the contractor would not be held responsible for the United Nations cost for the delay up to 24 October 1992. On that basis, the additional administrative, consultant and site supervision costs amounting to $535,000 which are payable to the architects and which represent the United Nations cost for the delays must, therefore, be borne by the United Nations.

24. On the basis of additional information indicated in the paragraphs above, which was submitted to the Advisory Committee on Administrative and Budgetary Questions during its spring session of 1992, the Committee concurred with the request of the Secretary-General to use the interest income to provide for the $535,000 of the additional site supervision.

B. Summary timetable

25. During the second half of May 1992, the progress of construction has also been affected by a force majeure period owing to civil disturbances in Bangkok. Work was completely suspended for five to seven days and resumed in full operation approximately one week later.

26. An approximate extension of the completion date is now under discussion with the contractor. Based on available information, it appears likely that the main construction will not be completed until November-December 1992, followed by a two- to three-month period for final testing, furnishing and commissioning of the building, namely, during the period January-March 1993. The projected timetable for the balance of the project on this basis is given below:

1992	January-November	Installation of finish materials and mechanical equipment
	November-December	Completion of main construction
1993	January-March	Final testing, furnishing and commissioning of the building
1993-1994		Guarantee period and final payment to contractors and consultants

27. It is expected that the total project cost will not exceed the amount of $48,540,000 authorized for the construction project at Bangkok.

III. CONCLUSION

28. No further appropriations will be required under section 35 of the programme budget for the biennium 1992-1993 for the projects for the expansion of conference facilities at Addis Ababa and Bangkok.

29. In accordance with General Assembly resolution 39/236, progress reports on both projects will be submitted to the Assembly annually until construction is completed.